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SUMMARY

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THE PROBLEMS OF PLANNING ECONOMIC GROWTH IN THE DEVELOPING COUNTRIES

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No. 850 H.

The Problems of Planning Economic Growth in the Developing Countries

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Summary

Having won their national independence, the developing countries must proceed to establish the conditions for their economic growth. In so doing they strive to determine the aims and secure the means of their economic growth, in other words to plan their economic activities.

The object of all economic planning is to achieve the concentration and coherent utilization of the physical and intellectual resources in the given economy, so as to enable a rapid growth to take place that fully or almost satisfies the requirements of a dynamic equilibrium.

The economic factors however, are in practice intertwined with various political and social problems. For this reason these countries, with their one-sided /frequently monocultural/ food and raw material-producing economies, must:

a/ eliminate outdated social conditions /prefeudalism, feudalism, the cast system, tribal systems, etc./,

b/ deliberately construct a social and economic system that promotes the equitable distribution of goods, the establishment of economic and social equality, moreover the free development of the abilities of the individuals living and acting within that community.

It logically follows therefore that the trend and rate of economic progress cannot be determined by private profit, and that the social /State/ sector of the economy must - by degrees - acquire a dominant role in development. Only the new State power has the concrete ability to concentrate the available forces and to integrate the social and economic factors.

The planning of economic development and the realization of the flexibly administered plans meets with grave difficulties in the developing countries. The most decisive ones are:

a/ The inadequacy or lack of planning staffs and their relatively little experience.

b/ The uncertainty or lack of statistical data /demographic figures, industrial census, crop areas, etc./

c/ The relatively broad scope of natural economy; delay in the geological mapping of natural resources.

d/ The lack of experts familiar with economic planning.

Under such circumstances the question arises, of whether it is worth while and realistic to prepare a development plan.

On the grounds of theoretical and practical considerations it

is undoubtedly correct and necessary.

It may be possible to do without planning, but it is not possible to avoid taking economic decisions. This statement means that the administration is bound each day to adopt an attitude, to take the initiative and carry out changes, over a number of economic problems, in fact generally to make decisions. It is to be presumed that these decisions will be substantially better in possession of a coherent conception of economic policies - a plan is just such a conception expressed in figures and targets - than without one. Due to the deficiencies of the available facts and the lack of experience of the planning staffs, larger margins of error will be involved than in other countries. Deficient figures and inexperience, however, only make it more difficult, but not impossible to formulate a correct conception of economic policies. The margins of error arising from the lack of a comprehensive conception of economic policies at the level of Government decisions are greater than those due to the uncertainty of the figures and the inexperience of planning staffs.

The planning practice of the developing countries has mainly adopted medium-range plans /of 3 - 7 years/. However, it is also sound practice in the developing countries - once the initial difficulties involved in planning have been overcome - to prepare not only these "tactical plans" of economic development but also the "strategic plans". The Indian practice of elaborating not only five--year plans but also 25-30 year plans appears to be a very correct one.

The measure of success of the development plan is the extent and character of economic growth. Growth, however, can according to the statical approach objectively never be balanced. At the same time it also stands to reason that stable economic policies can not be based on a prolonged lack of equilibrium. For this reason the relation of the various factors to one another - considered in motion - is at least as important as the intrinsic content of the measures which influence the factors.

The requirement of a dynamic equilibrium means that a type of growth must be chosen which does not cause great and prolonged disturbances of the equilibrium.

One of the main problems of the economic life of the developing countries is the lack of accumulated reserves. The opportunities for accumulation are in the overwhelming part of the developing countries very limited, particularly in some African countries. It is obvious therefore, that the governments of these countries cannot do without the credits based on bilateral inter-State agreements, and aid given by various international organizations /the World Bank, International Monetary Fund, etc./.

The question that has to be answered after an examination of the possibilities for accumulation is: how many percent of accumulation are needed to achieve a one percent growth of the national income? Even if the most favourable proportions are considered, the necessary conclusion is that 15 percent accumulation is certainly needed if it is desired to secure a modest rise in the per capita

national income where the population increase is of 2.5 - 3 percent.

The determination of the order of precedence of investments is of decisive significance from the point of view of growth and of the development of a dynamic equilibrium. In the case of several countries only the indirect path of industrialization is practicable. This means that those sectors must be developed which lead to an active balance of foreign trade, and the returns thus obtained must be used for the purchase of instruments of production which can process the country's raw materials to become finished products. A rise in agricultural productivity is, however, at any rate a pre-condition of industrialization, from the point of view both of manpower and of consumption.

It is the course of foreign trade /the balance of payments/ that is the main headache in securing a dynamic equilibrium. Exports from most of the developing countries consist of a few foodstuffs and raw materials. At the same time the share of foreign trade in the national income is very great, so that the dependence particularly of the monocultural countries on the world market is truly staggering. Added to this, the terms of trade have during the past ten years developed unfavourably from the point of view of the underdeveloped countries. The purchasing power of these countries has dropped and they have had to reduce imports at a time when economic progress would have required a policy of expansion. In order to change this situation, it is necessary to have comprehensive international commodity agreements and guaranteed raw material prices.

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My paper has been concerned with the problems of planning in the economically underdeveloped countries. The problems of the plan, however, are the problems of economic reality and of life itself. The problems of these countries are the problems of all progressive mankind. It is one of the decisive questions of our age to concentrate all our scientific and economic, intellectual and material resources on furthering the solution of these questions. In all this, the greatest responsibility devolves on us, economists. Let us obey the dictates of our human and scientific consciences and carry out the tasks which history and this speeding age has set us!